



Iowa Department of Human Services

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Director

INFORMATIONAL LETTER NO.1190

DATE: November 30, 2012

TO: Iowa Medicaid Providers Billing on CMS 1500 Claim Forms (Excluding Ambulatory Surgery Centers and Indian Health Service Providers)

ISSUED BY: Iowa Department of Human Services, Iowa Medicaid Enterprise (IME)

RE: Medicaid Site of Service (SoS) Differential Update

EFFECTIVE: January 1, 2013

In July 2011, Informational Letter [1031](#) announced Medicaid would be following the Medicare practice of applying “site of service” (SoS) differentials to certain professional services billed with a facility place of service effective September 1, 2011. In the 2012 legislative session, the original action was nullified and new direction was given to limit the total savings from this action moving forward.

The legislature’s nullification affected claims for dates of service April 25, 2012, to June 30, 2012, such that the SoS differential no longer applied. This was consistent with the date the nullification action was taken by the legislature on April 24, 2012. Based on the nullification, all claims in that date range were to pay at the full fee schedule rate and any claims originally processed with SoS reductions were adjusted by the IME back up to the regular fee schedule amount.

The new legislative direction was that the “adjustment shall be applied in a manner that does not exceed \$1 million in medical assistance program cost savings annually,” but required that the “department shall adjust medical assistance reimbursement rates for physician services by applying a site-of-service differential to reflect the difference between the cost of physician services when provided in a health facility setting and the cost of physician services when provided in a physician’s office.” The mandate did not specify the method by which the SoS differential be applied. The administrative rules that resulted from the legislature’s nullification provide that the SoS methodology shall be “as determined by the department.”

To comply with the new direction and based on claims analysis, **the IME will reinstate the SoS differential action exactly as described in Informational Letter [1031](#), but limit it to a six month period, affecting claims for dates of service from January 1, 2013, through June 30, 2013.**

Based on the expected claims for that date span, the IME expects to save the \$1 million in a manner consistent with the legislative requirement. Claims for dates of service from July 1, 2012, through December 31, 2012, will continue to pay at the regular fee schedule, without any SoS reductions.

The IME appreciates your continued partnership as we work to improve the claim processing service quality and accuracy. If you have any questions, please contact the IME Provider Services Unit at 1-800-338-7909, locally in Des Moines at 515-256-4609 or via email at imeproviderservices@dhs.state.ia.us.